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Hugh D. Melnick, MD, F.A.C.O.G.
Founder,
Advanced Fertility Systems

HCREA negotiates a contentious lease renewal and saves a fertility practice \$850,000 in taxes and rent

THE CHALLENGE

Advanced Fertility Services, P.C. (AFS) is a private, freestanding infertility and IVF center on Manhattan’s Upper East Side. AFS offers a full range of diagnostic and treatment options including the most advanced reproductive technology available today. By providing a warm office environment designed specifically for their patients’ convenience and comfort, the physicians and staff at AFS aim to reduce stress levels to help patients maintain the emotional stamina necessary to pursue infertility treatment.

For nearly three decades, AFS has accommodated their patients in 8,000 square feet of customized office space at 1625 Third Avenue in New York City. However, the relationship between AFS and its landlord had deteriorated in recent years, due to litigation over property damage, a dispute over outstanding electric bills and a demand from the owner that AFS pay half a million dollars in back taxes accumulated when the building had converted into a condominium several years before. AFS had brought in an attorney to try to resolve the complex tax situation with the landlord but the negotiations failed and no agreement was ever reached.

In the fall of 2011 the current lease was months from expiration and Dr. Hugh D. Melnick, founder of AFS, knew the time had come to finally resolve these issues. “The landlord knew they had us over a barrel,” Dr. Melnick said. “Our practice had been at this location for nearly 30 years and we had a lot of money invested in the build out of the space. My choices were to leave and litigate or try to find a way to stay in our existing offices.”

THE SOLUTION

Dr. Melnick attended a conference for physicians where Marisa Manley, President of Healthcare Real Estate Advisors (HCREA) was a guest speaker. As he listened to her presentation about how health care organizations can structure and negotiate more effective real estate transactions, Dr. Melnick realized he may have found the right experts to help his practice.

“Our goal was to stay where we were in an economically feasible way and to resolve our issues with the landlord so we could continue to practice in a space we had created specifically for our needs,” says Dr. Melnick.

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But he knew that wasn't going to be an easy task, given the history of friction between AFS and the landlord. “We needed someone on our side that could be strong but not in a threatening way. We also needed representation that would be able to work with an individual who had proven to be difficult to work with in the past.”

HCREA began the delicate process of renegotiating the practice's existing lease with the landlord while simultaneously showing AFS all the available options for new medical space. AFS soon found that alternative space options were limited due to the large amount of square footage they required and the fact that the majority of buildings in Manhattan do not seek medical tenants.

“HCREA had a unique ability to change the focus of our negotiations and find a way to make a very difficult and contentious lease renewal work,” Dr. Melnick says. “They wound up getting us six months free rent and reducing our tax bill by 50 percent. When you consider the cost and uncertainty of litigation, which was the road on which we were headed, this was very big a win for us.”

THE RESULTS

By choosing a firm that exclusively represents tenants, and that specializes in healthcare real estate, AFS found experts who could deliver a complete solution that was completely in the medical practice's best interest. Not only did AFS not have to incur the expense and headache of moving but HCREA negotiated \$250,000 savings in real estate taxes and \$597,000 in reduced rent and other concessions. In the deal AFS also received better signage and less restriction in bringing in unaffiliated physicians.

HCREA was most successful in negotiating more flexibility for AFS to better run its business. HCREA's thorough search and research also gave AFS the confidence that it was in their best interest to stay in their existing space. “HCREA not only got us a very equitable business deal but made it possible for our practice to stay in a beautiful space that worked for us,” Dr. Melnick says.

Thanks to HCREA, AFS had no disruption in business or patient care and continues to be able to provide hope and comfort to infertile couples from the comfort of the offices they have enjoyed for so many years.

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